


# Inflation, Taxes, and the Case for Real Money

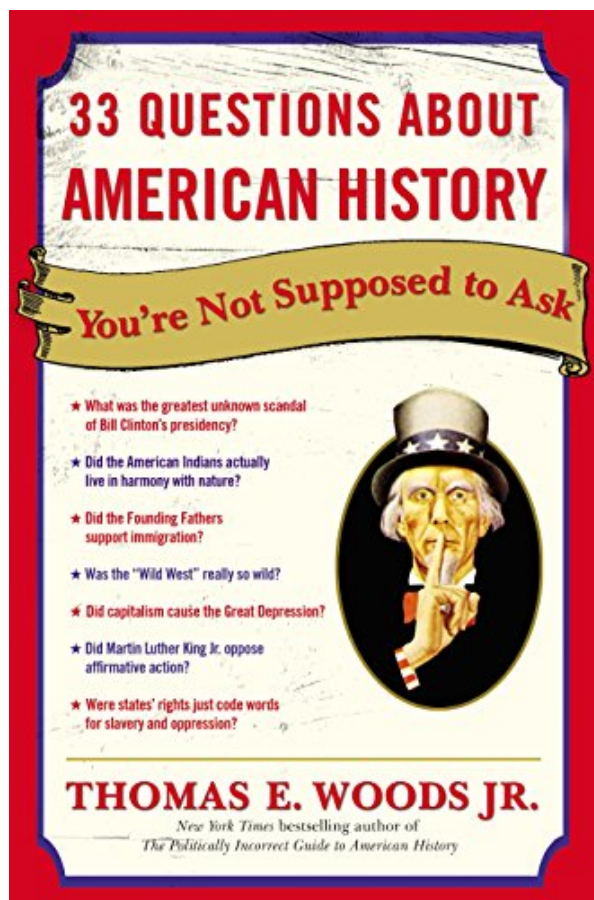
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On a recent appearance on the Young & Profiting podcast, Peter Schiff joins host Hala Taha to explain why today's economic challenges—from [rising income inequality to persistent inflation](#)—trace back to misguided monetary policy and [unsustainable government spending](#). Peter lays out his case against the conventional wisdom of redistribution, critiques the current tax system, and calls for a return to sound money.

Peter opens by [challenging the narrative that capitalism produces rampant inequality](#). Instead, he argues, it's Federal Reserve policy that fuels the ever-

widening wealth gap in America: [33 Questions About Ame...](#) Thomas E. Woods  
Best Price: \$2.91 Buy New \$9.99 (as of  07:05 UTC - Details)

*But income inequality today is actually higher than it's ever been, and the reason for that is because of the monetary policy that the Federal Reserve has pursued. And as a result of that, we have an extreme income inequality that is not the natural byproduct of capitalism and which is a problem. But the solution isn't for the government to try to redistribute the wealth from the rich to the poor. That always backfires. And that will lead to even greater*



*income inequality. What we have to do is change the monetary policy that has enriched the few at the expense of the many.*

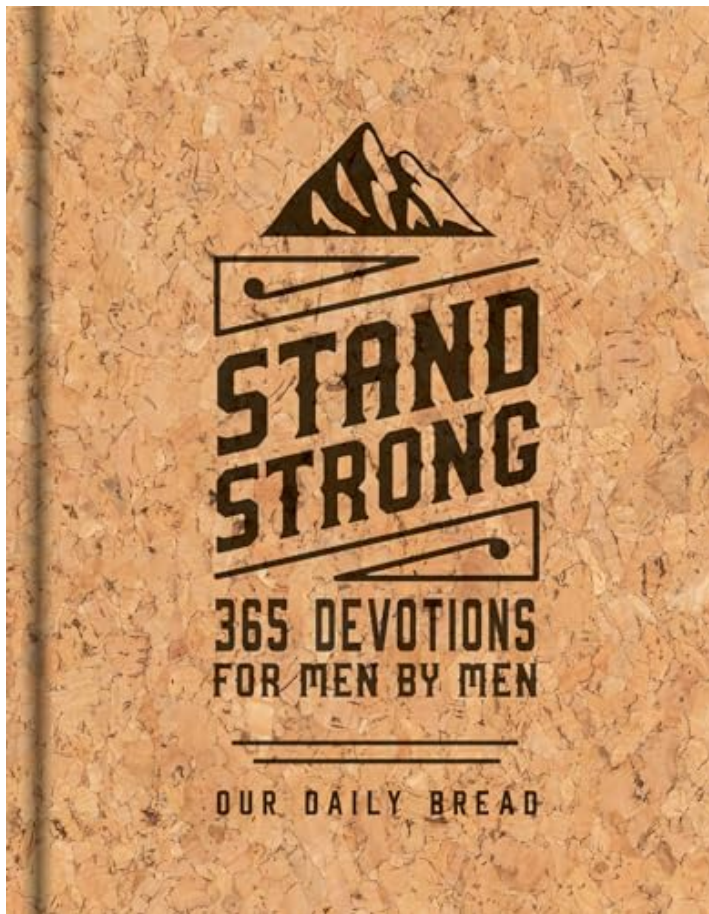
He then turns to the tax system, pointing out how middle-class workers bear a much heavier burden than most realize—especially when considering hidden payroll taxes:


*So it's counterproductive to say, 'Hey, just let's raise taxes on the rich.' But I do think that in America today, the middle class pays a tax rate that's much too high. It's not just the income tax that they're paying; it's the payroll tax, the Social Security and Medicare tax. And a lot of people don't realize this. They think they just pay half, right? They just think they pay half of the Social Security tax, and the employer pays the rest. No, the employer doesn't pay any of it. The employer just collects it from the worker. So everybody is paid a little bit less so that their employer can send Social Security payments to the government.*

He goes on to explain that America's ability to sustain budget deficits hinges on the special status of the U.S. dollar as the world's reserve currency—a privilege that cannot last forever:

*But the reason that we can actually get away with all this stuff is because the dollar is still the primary reserve currency. The world wants our dollars, even though it costs us nothing to create them, and so we're able to finance these massive deficits because of the unique status the dollar has. So we could create dollars out of thin air and use them to buy the goods that other people work hard to produce, and we get it basically for free. So that's really what's allowing us to continue to live beyond our means.*

Stand Strong: 365 Devo... Best Price: \$1.72 Buy New \$11.99 (as of 01:01 UTC - Details) Turning to solutions, Peter makes a strong case for gold—arguing that history, as well as the U.S. Constitution, affirms gold's role as real money and a stable store of value. He contrasts gold's century-long consistency with the steep decline in the dollar's purchasing power:



 *I look at gold not so much as an investment, but as a store of value, so gold is money. Constitutionally, if you know, in 1789, when they established the United States and wrote the Constitution, gold and silver were written in as money. It's the only lawful money in the country—it's the only thing that states can make legal tender. The only thing the federal government was authorized to do was to take gold and make a coin out of it.*

Finally, Peter addresses the rise of cryptocurrencies, particularly Bitcoin, and offers a warning. He

argues that Bitcoin's claims to be “digital gold” are unfounded—and likens its surge in popularity to classic Ponzi schemes:

*Bitcoin is not digital gold; it's not real money; it's really a digital Ponzi, like a pyramid scheme, a chain letter. I call it a blockchain letter. The fact that it's digital internet and all that, that's what's new, but the idea of a pyramid is old. ... It's not going to replace any currency. And it's certainly not going to replace gold.*

*This originally appeared on [SchiffGold.com](http://SchiffGold.com).*

Tags:

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